

# SENATE BILL REPORT

## SB 5225

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As Reported By Senate Committee On:  
Water, Energy & Telecommunications, January 30, 2007

**Title:** An act relating to regulation of gas and hazardous liquid pipelines.

**Brief Description:** Modifying gas and hazardous liquid pipeline provisions.

**Sponsors:** Senators Oemig, Poulsen, Honeyford and Spanel; by request of Utilities & Transportation Commission.

**Brief History:**

**Committee Activity:** Water, Energy & Telecommunications: 1/26/07, 1/30/07 [DPS].

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### SENATE COMMITTEE ON WATER, ENERGY & TELECOMMUNICATIONS

**Majority Report:** That Substitute Senate Bill No. 5225 be substituted therefor, and the substitute bill do pass.

Signed by Senators Poulsen, Chair; Rockefeller, Vice Chair; Delvin, Fraser, Holmquist, Marr, Morton, Oemig, Pridemore, and Regala.

**Staff:** William Bridges (786-7424)

**Background:** According to the Washington Utilities and Transportation Commission (WUTC), there are 28 pipelines in Washington that carry natural gas and hazardous liquids, such as gasoline and jet fuel. Seven of the pipelines are interstate. In addition, there are numerous small gas pipeline systems called "master meters," which are typically distribution systems owned by residential complexes, such as apartment buildings, and commercial complexes where the gas is resold to tenants.

The WUTC currently regulates intrastate pipelines, while the federal Office of Pipeline Safety (OPS) regulates interstate pipelines. Since 2003, the WUTC has been the lead inspector of all interstate pipelines in the state, certified by OPS to make inspections based on federal regulations.

Pipeline Safety Act of 2000: Passed in response to a tragic pipeline accident in Bellingham, Washington, this state act originally assigned the WUTC to regulate gas pipelines and the Department of Ecology to eventually regulate hazardous liquid pipelines. When the act was codified, the sections dealing with gas and hazardous liquids were placed in two separate RCW chapters. The definitions in the act, which were designed to apply to the entire act, were codified only in the chapter for hazardous liquid pipelines.

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*This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.*

In 2001, the Legislature assigned the WUTC to regulate both gas and hazardous liquid pipelines. However, the definitions in the 2000 act were kept in the chapter for hazardous liquid pipelines, while the WUTC enforcement provisions for gas pipelines were kept in the chapter that regulates utility companies. This split authority has created numerous regulatory hurdles for WUTC. For example, different definitions of "gas pipeline company" and "gas company" in two different RCW chapters effectively means the WUTC must apply different levels of penalties depending on whether an intrastate pipeline operates as a public utility or a private company.

The Pipeline Safety Improvement Act of 2002: This federal act applies to interstate and some intrastate pipeline facilities which transport gas or hazardous liquids. The federal law has spawned numerous federal regulations, which the state must track in its laws if the WUTC is to maintain its federal certification to inspect interstate pipelines and to enforce state standards on intrastate pipelines.

One condition of federal certification, for example, is that state penalty provisions must be consistent with federal penalty provisions. Under current state law, the WUTC may levy a civil penalty of \$25,000 per violation up to a maximum \$500,000 for a series of violations. The current federal penalty is \$100,000 per violation up to \$1 million for a series of violations.

Another example of inconsistent state and federal rules concerns master meters. Federal regulations apply to all master meters, while state law only grants the WUTC jurisdiction over privately owned natural gas master meters and natural gas master meters owned by cities and towns.

**Summary of Bill:** Penalty provisions for pipeline safety violations are changed, allowing the WUTC to match federal penalty limits by rule.

WUTC jurisdiction is extended to all publicly-owned "master meters" and to all "gas" pipelines, consistent with federal definitions. Among other things, this latter change will allow the WUTC to regulate propane master meter systems without requiring rate regulation of such systems.

The definitions applying to gas and hazardous liquid pipelines are consolidated into one chapter. Terms are redefined and new terms are created as consistent with federal law. Obsolete references and definitions are removed

**EFFECT OF CHANGES MADE BY RECOMMENDED SUBSTITUTE AS PASSED COMMITTEE (Water, Energy & Telecommunications):** An exception is added to the definition of "hazardous liquid pipeline" that is consistent with federal law. The definition of "local government" is clarified to mean all political subdivisions of the state. A drafting error is corrected that mistakenly refers to "hazardous liquid" as "gas."

**Appropriation:** None.

**Fiscal Note:** Available.

**Committee/Commission/Task Force Created:** No.

**Effective Date:** Ninety days after adjournment of session in which bill is passed.

**Staff Summary of Public Testimony:** PRO: The bill consolidates and reorganizes statutes for the convenience of the public, regulated industries, and regulatory staff. The bill closes some regulatory gaps concerning master meters and makes changes that are necessary for the state's retention of federal certification for pipeline inspections. The bill is a product of a comprehensive stakeholder process that included regulated industries and citizen groups.

**Persons Testifying:** PRO: Dave Danner, Alan Rathbun, Washington Utilities and Transportation Committee.